



United States Department of Agriculture
Rural Development
Idaho State Office

USDA-RURAL DEVELOPMENT BUSINESS PROGRAMS

Business & Industry (B&I) Loan Guarantee Program

Newsletter – November 2006

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B&I FY2007 Funding Outlook: Expected to be Excellent!

The B&I program's funding authority is established annually as part of the Federal Budget process. In FY 2007 (which runs through 9/30/07), based on preliminary Federal Budget figures in the House and Senate, we are anticipating a budget authority **in excess of \$1.0 billion**, which is more than we have seen for many years. The B&I program remains affordable, flexible, and responsive to you and your customer's need. **Let the B&I program help you put your deal together!**

"One-Doc" Program: It's a Hit!

Late in FY2006, Idaho announced the "One-Doc" Program. For most small ($\leq \$600,000$) rural business loans, **the "One-Doc" program** allows the lender to receive quick B&I approval on applications that consist of one USDA form, copies of Borrower financial statements obtained by the Bank, the Bank's credit memo, and the Bank's draft loan agreement – that's it! Based on results after the Program's introduction last year, **the One-Doc Program is a hit with you, our rural lending partner!**

The "No" Answers Come Really Fast!

How's that for a slogan? Although we chose not to put that on our business cards (our "marketing folks" tell us it doesn't have the right ring), the truth is, you will get an answer from us really fast (sometimes a quick "no" is helpful, but our goal is to make the answer a "yes"). A lender recently said to us: "I can't believe you got me an approval so fast. My fear was that you'd string me along for 6 months just to tell me 'no'." **In FY2006, all B&I approvals were made within 1-2 weeks of our receipt of a complete application.** Please run your prospective deals by us; we pledge to respond quickly and professionally.

On-Line B&I Reporting is Coming

Loan closing reports and semi-annual B&I loan status reports are presently sent to us by the lender on paper forms. Later this year, we are anticipating the release of a new USDA software enhancement that will make it possible for lenders to submit these reports via the web. The software will also automatically compute any annual renewal fees due from the lender and will allow for collection of the fee electronically. Existing lenders will be receiving from our St. Louis Finance Office written notification of this software enhancement, along with instructions for its use. We anticipate a learning curve for both you and for us. **Please contact us if you receive the letter and have questions; we will be happy to meet with you to work together to complete the forms.**

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)795-3272 (voice) or (202) 720-6382 (TDD).

B&I Guarantee Fee and Annual Renewal Fee Outlook: No Increase Expected!

The up-front B&I guarantee fee is expected to remain at the very affordable rate of 2% of the guaranteed amount (regardless of the loan amount)! For the first time, to help increase the B&I funding levels, the B&I program added in FY2006 an annual renewal fee. The annual renewal fee, payable by the lender, is a once-yearly payment due January 31, calculated on the guaranteed portion of the unpaid principal balance as of December 31. For FY2006, the annual renewal fee was set at the low rate of .25%; no increase is expected in FY2007 [compare to the SBA 7(a) on-going servicing fee of .55, payable monthly].

Feature Project: Norwest Manufacturing, Inc. (Rupert, Idaho)



Located in Rupert, Idaho, **Norwest Manufacturing, Inc.**, has since 1997 been a manufacturer and distributor of farm tillage equipment and parts. In '06, **Phil Gilley, CEO**, was presented with an opportunity to purchase complementary manufacturing lines of a former competitor. Mr. Gilley developed a Business Plan that convinced him that acquisition of these lines would increase sales via product diversification, and would decrease costs with the plan to locate the new line and portions of their existing line in a new facility at the Heyburn Industrial Park in Burley.

Ward Maxfield, Commercial Loan Officer with First Federal Savings Bank in Rupert, understood the company well, as he financed their operating needs and spent many hours visiting with Mr. Gilley about the company's plans. Seeing an opportunity for the company, and knowing the management ability of Mr. Gilley, Mr. Maxfield put together a funding package to assist with the acquisition of the product lines and finance the move to the leased facility in Burley. The challenge: the specialized nature of the equipment to be purchased limited the ability of the Bank to meet the company's needs, and the terms of the sales agreement included some unique provisions. The B&I program helped the Bank put the deal together. Utilizing the "One-Doc" Program, two loans of \$325,000 and \$50,000 were approved; B&I loan approval was received within 1-week of submittal of the B&I loan applications.

Ward Maxfield had this to say about the B&I program: *"The communication lines were very open with quick responses. The program was new for our bank as well as for me, and you hand-fed me along the way to help me better understand the (B&I) program. This was probably one of the most difficult projects, if not the most difficult project, that I have worked on in my lending experience, but the B&I Guarantee helped to make this a great deal for both the Bank and the Borrower. **It is definitely the most user friendly program that I have ever used.** It helped to make our project much stronger."*

Remember:

- ☞ **Want to discuss the B&I program?** B&I in Idaho would be happy to meet with your Bank loan officers to review the program and/or discuss potential deals.
- ☞ **B&I application forms in MSWord.** Both the regular and the One-Doc application forms can be emailed to you in MSWord format.

For More Information

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